

SMALL BUSINESS ADMINISTRATION BUDGET, 1967

COMMUNICATION

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

AMENDMENTS TO THE BUDGET FOR THE FISCAL YEAR 1967 FOR
THE SMALL BUSINESS ADMINISTRATION

SEPTEMBER 12, 1966.—Referred to the Committee on Appropriations and ordered
to be printed

THE WHITE HOUSE,
Washington, September 9, 1966.

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIR: I have the honor to transmit herewith for the consideration of the Congress amendments to the budget for the fiscal year 1967 for the Small Business Administration.

The details of these amendments, the necessity therefor, and the reasons for their submission at this time are set forth in the attached letter from the Director of the Bureau of the Budget, with whose comments and observations thereon I concur.

Respectfully yours,

LYNDON B. JOHNSON.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., September 8, 1966.

THE PRESIDENT,
The White House.

SIR: I have the honor to submit herewith for your consideration amendments to the budget for the fiscal year 1967 for the Small Business Administration, as follows:

SMALL BUSINESS ADMINISTRATION

Budget appendix page	Heading
	SALARIES AND EXPENSES
981	(Delete the paragraph under this heading and insert in lieu thereof the following: For necessary expenses, not otherwise provided for, of the Small Business Administration, including hire of passenger motor vehicles, [\$7,065,000] \$3,400,000, and in addition there may be transferred to this appropriation [(a) not to exceed \$50,000 from the appropriation "Trade adjustment loan assistance," for administrative expenses of activities financed under that appropriation, and (b) not to exceed \$35,000,000 from the revolving fund, Small Business Administration, for administrative expenses in connection with activities financed under said fund] not to exceed a total of \$46,550,000 from the "Disaster loan fund" and the "Business loan and investment fund," in such amounts as may be necessary for administrative expenses in connection with activities respectively financed under said funds: Provided, That 10 per centum of the amount authorized to be transferred from [the revolving fund, Small Business Administration,] these revolving funds shall be apportioned for use, pursuant to section 3679 of the Revised Statutes, as amended, only in such amounts and at such times as may be necessary to carry out the business and disaster loan programs.
983	PUBLIC ENTERPRISE FUNDS
	DISASTER LOAN FUND
	BUSINESS LOAN AND INVESTMENT FUND
	(Insert the above new headings, the following paragraph thereunder, and the statements attached to this letter: <i>The Small Business Administration is hereby authorized to make such expenditures, within the limits of funds and borrowing authority available to the following funds, and in accord with the law, and to make such contracts and commitments without regard to fiscal year limitations as provided by section 104 of the Government Corporation Control Act, as amended, as may be necessary in carrying out the programs set forth in the budget for the current fiscal year for the "Disaster Loan Fund" and the "Business Loan and Investment Fund."</i>

These amendments do not change the program levels approved in the 1967 budget but are required to carry out Public Law 89-409, approved May 2, 1966, which created a "disaster loan fund" and a "business loan and investment fund" in lieu of the former Small Business Administration "revolving fund." This new law requires the change in transfer provisions for the proposed appropriation for "Salaries and expenses." In addition, this legislation provided that business-type budgets for each of these funds shall be prepared, transmitted to the Congress, considered, and enacted in accordance with sections 102, 103, and 104 of the Government Corporation Control Act. Attached are budget statements for 1967 for these two funds.

I recommend that the foregoing amendments to the budget for the fiscal year 1967 be transmitted to the Congress.

Respectfully yours,

CHARLES L. SCHULTZE,
Director of the Bureau of the Budget.

SMALL BUSINESS ADMINISTRATION

BUSINESS LOAN AND INVESTMENT FUND

PROGRAM AND FINANCING

[In thousands of dollars]

	Administrative reservations			Costs and obligations		
	1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
Program by activities:						
Capital outlay:						
1. Financial assistance:						
Business loans (sec. 7(a) Small Business Act):						
Direct			128,651			115,363
Immediate participation			179,349			154,809
Guaranteed			120,000			
Total sec. 7(a) business loans			428,000			270,172
Business loans (Economic Opportunity Act of 1964)			50,000			44,700
Displaced business loans			25,000			22,966
Trade adjustment loans			1,200			1,200
Conversion between types of loans						
Guaranteed business loans not expected to be purchased			-108,000			
Total financial assistance			396,200			339,038
2. Investment and development company assistance:						
Purchase of debentures of small business investment companies			32,000			30,000
Loans to small business investment companies:						
Direct loans			5,000			4,600
Guaranteed loans (bank standby loans in 1965)			35,000			
Reservation of funds for loans sold with recourse						
Loans to local development companies			50,000			27,200
Subtotal investment and development company assistance			122,000			61,800
Conversions between types of loans						
Guaranteed loans not expected to be purchased			-31,500			
Adjustment to fund prior year bank standby loans at 100%						
Total investment and development company assistance			90,500			61,800
Total loans and investments			486,700			400,838

BUSINESS LOAN AND INVESTMENT FUND—Continued

PROGRAM AND FINANCING—continued

[In thousands of dollars]

	Administrative reservations			Costs and obligations		
	1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
Program by activities—Continued						
Capital outlay—Continued						
Administrative reservations, start of year			117,790			
Administrative reservations, end of year			-117,790			
Change in selected resources ¹						48,583
Adjustments in selected resources (loan obligations)						37,279
Total capital outlay			486,700			486,700
Operating costs, funded:						
1. Interest expense						14,519
2. Administrative expenses						² 37,395
3. Other costs and expenses						3,500
Total operating costs, funded						55,414
10 Total obligations						542,114
Financing:						
Receipts and reimbursements from—						
Non-Federal sources: Financial assistance program:						
Sec. 7(a) business loan repayments						-19,298
Economic Opportunity Act loan repayments						-2,500
Sale of loans						
Sale of acquired collateral						
Repayments on judgments and notes receivable						
Revenue						-8,186
Investment and development company assistance program:						
Loan and debenture repayments						-6,780
Sale of loans						
Sale of acquired collateral						
Repayments on judgments and notes receivable						
Revenue						-9,790
Proceeds from sale of participation certificates						-725,000
17 Recovery of prior year obligations:						
Financial assistance program						-31,149
Investment and development company assistance program						-6,130

21.98	Unobligated balance available, start of year:						
	Reserved.....						-117,790
	Unreserved.....						-420,900
22	Unobligated balance transferred from Trade Adjustment loan assistance fund.....						-1,450
24.98	Unobligated balance, end of year:						
	Reserved.....						117,790
	Unreserved.....						689,069
	New obligational authority.....						
	New obligational authority:						
40	Appropriation.....						
41	Transferred to "Revolving fund, lease guarantee," Small Business Administration (79 Stat. 484).....						
43	Appropriation (adjusted).....						
	Relation of obligations to expenditures:						
10	Total obligations.....						542,114
70	Receipts and other offset (items 11-17).....						-808,833
71	Obligations affecting expenditures.....						-266,719
72.98	Obligated balance, start of year.....						113,086
74.98	Obligated balance, end of year.....						-129,281
90	Expenditures.....						-282,914
	Cash transactions:						
93	Gross expenditures.....						485,640
94	Applicable receipts.....						-768,554

¹ Balances of selected resources are identified on the statement of financial condition.² Excludes \$2,655,000 contingency amount not anticipated to be transferred to "Salaries and expenses."

BUSINESS LOAN AND INVESTMENT FUND—Continued

REVENUE, EXPENSE, AND RETAINED EARNINGS

[In thousands of dollars]

	1965 actual	1966 estimate	1967 estimate
Financial assistance program:			
Revenue.....			27,175
Less portion applicable to participation certificates sold (based on proposed legislation).....			-18,989
Net revenue.....			8,186
Expense.....			54,736
Net loss, financial assistance program.....			-46,550
Investment and development company assistance program:			
Revenue.....			17,614
Less portion applicable to participation certificates sold (based on proposed legislation).....			-7,824
Net revenue.....			9,790
Expense.....			13,955
Net loss, investment and development company assistance program.....			-4,165
Net loss for the year.....			-50,715
Deficit, start of year.....			-180,980
Expense applicable to prior year.....			
Net loss or gain on liquidation of Reconstruction Finance Corporation assets included above, credited to account-ability for such assets.....			-13
Deficit, end of year.....			-231,708

FINANCIAL CONDITION

[In thousands of dollars]

	1964 actual	1965 actual	1966 estimate	1967 estimate
Assets:				
Treasury balance.....				978,462
Accounts receivable, net.....				13,925
Selected assets: Deferred charges ¹				
Loans receivable, net.....				1,072,340
Less sale of participation certificates.....				-897,600
Subtotal.....				174,740
Investments in small business investment companies, net.....				183,197

Acquired security and collateral, net				3,376
Judgments, notes, and other receivables, net				2,848
Total, assets				1,356,548
Liabilities:				
Current				23,174
Operating reserve for contingent losses on deferred participation and guaranteed loans disbursed by banks				2,224
Total, liabilities				25,398
Government equity:				
Interest-bearing capital (appropriations):				
Start of year				837,292
Transfer of interest-bearing expenditures from non-interest-bearing capital				129,327
End of year				966,619
Non-interest-bearing capital (appropriations):				
Start of year				722,708
Appropriations				
Transfer to "Revolving fund, lease guarantee"				-129,327
Transfer of expenditures of non-interest-bearing capital				539,381
End of year				1,560,000
Total, appropriated capital				
Transfer of accountability for Reconstruction Finance Corporation loans and other assets:				
Start of year				2,846
Adjustments during year				13
End of year				2,859
Deficit				-231,708
Total, Government equity				1,331,151
Analysis of Government equity:				
Undisbursed direct loan obligations ¹				84,688
Undisbursed guaranteed loan obligations ¹				57,954
Unobligated balance:				
Reserved				137,500
Unreserved				689,069
Invested capital and earnings				361,940
Total, Government equity				1,331,151

¹ The changes in these items are reflected on the program and financing schedule.

NOTE.—Unfunded contingent liability for guaranteed loans is as follows: June 30, 1964 \$37,497,000; June 30, 1965, \$66,678,000; June 30, 1966, \$124,112,000; June 30, 1967, \$173,189,000

DISASTER LOAN FUND
PROGRAM AND FINANCING
[In thousands of dollars]

		Administrative reservations			Costs and obligations		
		1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
Program by activities:							
Capital outlay:							
Disaster loans.....				100,000			78,234
Administrative reservations:							
Start of year.....				11,200			
End of year.....				-11,200			
Change in selected resources ¹							11,766
Adjustment in selected resources.....							10,000
Total, capital outlay.....				100,000			100,000
Operating costs, funded:							
1. Interest expense.....							3,390
2. Administrative expense.....							24,500
3. Other costs and expenses.....							
Total operating costs, funded.....							7,890
10	Total obligations.....						107,890
Financing:							
Receipts and reimbursements from:							
11	Administrative budget accounts: Reimbursement for Hurricane Betsy loans.....						
14	Non-Federal sources:						
	Loan repayments.....						-9,668
	Sale of loans.....						
	Sale of acquired collateral.....						
	Repayments on judgments and notes receivable.....						
	Proceeds from sale of participation certificates.....						-125,000
	Revenue.....						-2,630
17	Recovery of prior year obligations.....						-10,000
21.98	Unobligated balance available, start of year:						
	Reserved.....						-11,200
	Unreserved.....						-76,200

24.98	Unobligated balance, end of year:						11,200
	Reserved.....						115,608
	Unreserved.....						
	New obligational authority (appropriations).....						
	Relation of obligations to expenditures:						
10	Total obligations.....						107,890
70	Receipts and other offsets (items 11-17).....						-147,298
71	Obligations affecting expenditures.....						-39,408
72.98	Obligated balance, start of year.....						31,221
74.98	Obligated balance, end of year.....						-39,030
90	Expenditures.....						-47,217
	Cash transactions:						
93	Gross expenditures.....						90,081
94	Applicable receipts.....						-137,298

¹ Balances of selected resources are identified on the statement of financial condition.² Excludes \$2,000,000 contingency amount not anticipated to be transferred to "Salaries and expenses."

REVENUE, EXPENSE, AND RETAINED EARNINGS

[In thousands of dollars]

	1965 actual	1966 estimate	1967 estimate
Revenue.....			10,132
Less portion applicable to participation certificates sold (based on proposed legislation).....			-7,502
Net revenue.....			2,630
Expense.....			10,009
Net loss for the year.....			-7,379
Deficit, start of year.....			-31,938
Expense applicable to prior year.....			
Deficit, end of year.....			-39,317

DISASTER LOAN FUND—Continued

FINANCIAL CONDITION

[In thousands of dollars]

	1964 actual	1965 actual	1966 estimate	1967 estimate
Assets:				
Treasury balance.....				143,228
Accounts receivable, net.....				2,457
Selected assets: Deferred charges ¹				
Loans receivable, net.....				312,677
Less sale of participation certificates.....				-252,400
Subtotal.....				60,277
Investments in small business investment companies, net.....				
Acquired security and collateral, net.....				
Judgments, notes, and other receivables, net.....				
Total assets.....				205,962
Liabilities:				
Current.....				4,887
Operating reserve for contingent losses on deferred participation and guaranteed loans disbursed by banks.....				392
Total liabilities.....				5,279
Government equity:				
Interest-bearing capital (appropriations):				
Start of year.....				147,757
Transfer of interest-bearing expenditures from non-interest-bearing capital.....				22,822
End of year.....				170,579
Non-interest-bearing capital (appropriations):				
Start of year.....				92,243
Appropriations.....				
Transfer to "Revolving Fund, Lease Guarantee".....				
Transfer of expenditures to non-interest-bearing capital.....				-22,822
End of year.....				69,421
Total appropriated capital.....				240,000

Transfer of accountability for Reconstruction Finance corporation loans and other assets:				
Start of year.....				
Adjustments during year.....				
End of year.....				
Deficit.....				-39,317
Total Government equity.....				200,683
Analysis of Government equity:				13,990
Undisbursed direct loan obligations ¹				
Undisbursed guaranteed loan obligations ¹				
Unobligated balance:				11,200
Reserved.....				115,608
Unreserved.....				59,88
Invested capital and earnings.....				200,683
Total Government equity.....				

¹ The changes in these items are reflected on the program and financing schedule.

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